



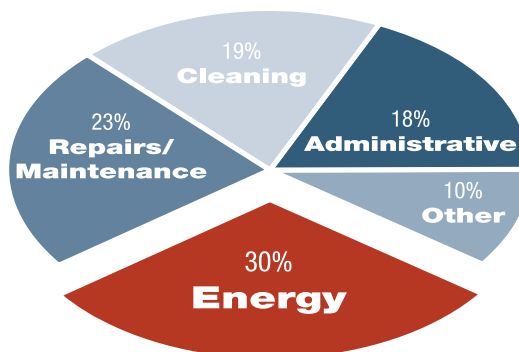
# The Financial Power of ENERGY STAR®

The U.S. Environmental Protection Agency (EPA) created the ENERGY STAR label for buildings—the mark of excellence in energy performance—to recognize and promote excellence in strategic energy management, smart business practices, and environmental responsibility. The owners and managers of over 2 billion square feet of office space across the country have already become partners with ENERGY STAR because they know that superior energy performance makes their properties more competitive, profitable, and valuable.

Energy is the single largest operating expense for a commercial office building, comprising approximately one third of its operating expenses. By improving the energy performance of a building, owners can experience:

- Lower operating costs
- Increased net operating income (NOI)
- Increased funds from operations (FFO)
- Enhanced asset and shareholder value

**Energy is the single largest operating expense for commercial office buildings**



High performance buildings are also more comfortable to work in because of more efficient climate-control systems, and higher tenant attraction, retention, and occupancy rates.

Energy upgrades typically have a 20 to 30 percent rate of return and are low risk. At a 10 percent capitalization rate, a building owner can generate \$2 to \$3 in incremental asset value for each \$1 invested in energy performance improvements. In addition, ENERGY STAR can help differentiate a portfolio and add value to the asset management strategy.

Saving 30 percent of energy costs is equal to increasing NOI by 5 percent. Using the income approach to appraisal, the 5 percent increase in NOI would support a

## For more information

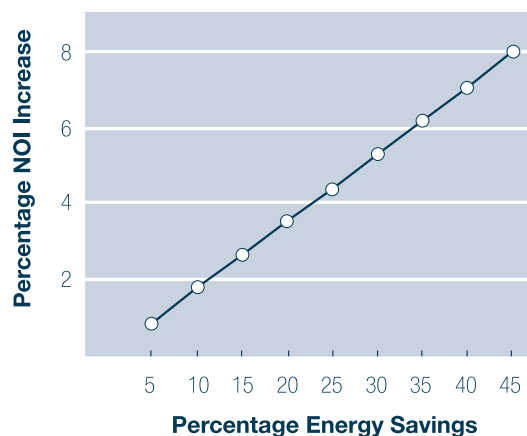
For more information about ENERGY STAR or how improving energy performance can enhance asset value, call the toll free ENERGY STAR hotline at **1-888-STAR YES (1-888-782-7937)**, visit [www.energystar.gov](http://www.energystar.gov), or contact: the Program Director of ENERGY STAR Programs  
US EPA (6202J)  
Ariel Rios Building  
1200 Pennsylvania Avenue, NW  
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5 percent increase in building asset value. These economics are particularly important to real estate investment trusts (REITs) and other publicly traded real estate organizations since the financial benefits of higher FFO support a higher share price.

ENERGY STAR provides, at no cost, the **portfolio manager**—an Internet-based energy performance and tracking tool that provides insight to property managers and owners on how they can optimize the energy and financial performance of their office portfolios. This unique tool compares the energy performance of a given office building with data derived from a comprehensive national survey of office buildings, and then assigns the building a percentile score from 1 to 100. Similar to the way the miles per gallon rating helps automobile owners understand and compare gasoline consumption, ENERGY STAR provides a commonly understood metric for comparing a commercial office building's energy performance. Buildings that score 75 or higher qualify to receive the ENERGY STAR label, a brass plaque indicating that the building's energy performance is among the top 25 percent in the nation.

Among the resources available to ENERGY STAR participants is **QuikScope**, a CD-ROM based software tool that helps owners and managers assess the costs and benefits of energy performance improvements in leased space. Partners use QuikScope to identify investment opportunities that improve the energy performance and asset value of their portfolios. QuikScope allocates the costs and benefits of energy efficiency upgrades between tenants and owners, models a variety of leasing scenarios, and uses proven industry-accepted strategies (such as tenant cost recovery, future rent increases, and higher occupancy) to help building managers increase asset and shareholder value.

### Impact of Energy Savings on NOI



Managers of publicly traded real estate portfolios are now considering internal earnings growth—a result of improved energy performance—as a viable value-creation strategy. Boosting the financial performance of existing holdings allows ENERGY STAR partners to make their commercial real estate portfolios more competitive, profitable, and valuable.

To learn more about the financial power of ENERGY STAR, access the tools and resources, and make your properties more competitive, profitable, and valuable, visit [www.energystar.gov](http://www.energystar.gov) today.